

## Housing plans and urban rehabilitation in Spain, 1992-2012

### Speakers:

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**Abstract:** *This paper explores the urban rehabilitation projects promoted by the Spanish Government between 1992 and 2012 through housing plans. The analysis is based on the comparison of programmes and estimations gathered in these plans with actual housing production within this period in order to find the connection between sectoral housing planning and real estate cycles in these last twenty years. During the period under review, six state housing plans, that were mainly focused on the promotion of newly-constructed state-subsidised housing, were developed, including the Areas of Integrated Rehabilitation programmes (ARI programmes). In spite of the relevance and growing complexity of these programmes, these played a subsidiary role in the government housing policy and were insignificant regarding the whole real estate production in this period.*

***Comprehensive rehabilitation areas, urban rehabilitation, urban regeneration, housing plans, real estate production***

### 1. Urban rehabilitation areas in housing plans

Housing plans are the main instrument of sectoral housing planning that were used by the Spanish government to intervene in the housing market. These have a long tradition in Spain since the beginnings of the twentieth century (1). Housing plans have traditionally been designed to promote newly-constructed state-subsidised housing and these have been connected with macroeconomic policies due to their ability to create employment opportunities in the construction sector.

This research was carried out through a content analysis of royal decrees that regulated housing plans during this period. It also includes the total amount of the intended goals in each plan collected in the agreements signed with the autonomous communities, as well as the computation of the real estate production, both free-market or state-subsidised housing, in this period.

The State Housing Plan 1992-1995, the first one of the studied period, leads to the strengthening of the sectoral housing planning system that had been previously tested during the 1980s. This was followed by the subsequent five four-year plans developed until 2012. The first two plans and the last two were approved by the Spanish Socialist Workers' Party - PSOE according to its initials in Spanish- (from 1992 to 1999 and from 2005 to 2012), while the other two plans were approved by the People's Party -PP according to its initials in Spanish- (1998-2005). Two of these six plans were not completed because of a change of government (1998 and 1999 programmes of 1996-1999 State Housing Plan and 2005 programme of 2002-2005 State Housing Plan) (2).

State housing plans provide financial aid to implement the different actions these promote. Each plan starts with the approval of a royal decree, which regulates its contents and requirements. These requirements are the same over the whole period and are organised around four subjects: organization and operating conditions of the plan, intended financial aid, financing terms and protectable actions programmes (Table1).

The operating conditions of the plans are established by the current Spanish distribution of competences over housing matters, which was consolidated by the late 1980s, after many appeals of unconstitutionality, once the operational structures of the autonomous communities were developed. The State lacks competences over housing matters, as well as ability to administer funds and financial intermediation. For these reasons, once the royal decree corresponding to each plan is approved, then two differentiated procedures are implemented to develop these plans. On the one hand, the Ministry signs agreements with financial entities interested in taking part in the process through the provision of funds. On the other hand, the ministry signs bilateral agreements in which the intended goals for each year and each programme are quantified, as well as the commitments with each of the autonomous communities (with the exception of Navarre and the Basque Country that do not take part in state plans). The approval of the state plan development legislation by each of the autonomous communities is necessary for the effective implementation of the plan.

<i>Organization and operating conditions</i>	<i>Financial resources</i>
	<i>Agreements with the autonomous communities</i>
	<i>Agreements with financial entities</i>
	<i>Governing body</i>
	<i>Plan management tools</i>
<i>Intended financial aid</i>	<i>Agreed/ qualified loans</i>
	<i>Subsidized agreed loans</i>
	<i>Direct grant aids</i>
<i>Financing terms</i>	<i>Real estate</i>
	<i>Action</i>
	<i>Developers</i>
<i>Protectable action programmes</i>	<i>Newly-constructed housing</i>
	<i>Land</i>
	<i>Purchase at a formally valued price</i>
	<i>Renting</i>
	<i>Building rehabilitation</i>
	<i>Rehabilitation of areas</i>
	<i>Management</i>

Table 1: Contents and requirements in housing plans (1992-2012). Source: personal compilation

There are three types of housing plans intended financial aid: agreed or qualified loans with a low interest rate, subsidized agreed loans (where part of the interest rate is paid) and direct non-repayable grants. The financial aid provided in the programmes of rehabilitation of areas are non-repayable grants. However, the agreed loans were also offered in the two first plans. Founding access requires property, actions and developers meet the specifications established in the different programmes of the plan.

Protectable action programmes have been increased during this period, being more complex, and their names have suffered different changes. The programmes are mainly focused on the next types of action: newly-constructed housing (protected housing –VPO by its initials in Spanish-), land management to build protected housing, purchase of currently existing houses at a value of property appraisal, renting (including promotion of houses destined to renting, as well as direct financial aid to tenants or owners), building rehabilitation, rehabilitation of specific areas and financial aid to the plan management (Table 2).

Programmes of rehabilitation of areas were introduced as an independent programme within housing plans by means of the Royal Decree 726/1993, which modified the State Housing Plan 1992-1995. Until then, the rehabilitation of areas was promoted through specific legislation, which established the judicial framework of the Areas of Integrated Rehabilitation (ARI) and allowed these to get founding from the current housing plans.

Throughout the following 20 years, the ARI programme has become just another housing plan, although it has been diversified, its names have changed, new specific programmes to solve concrete problems have appeared (urban renewal areas –ARU-, the rehabilitation of historic centre and eradication of shanty towns), the quantity of the aids has increased and the management procedures have varied.

	1992-1995	1996-1999	1998-2001	2002-2005	2005-2008	2009-2012
<i>Newly-constructed housing</i>	•	•	•	•	•	•
<i>Land</i>	•	•	•	•	•	•
<i>Purchase at a formally valued price</i>	•	•	•	•	•	•
<i>Renting</i>					•	•
<i>Building rehabilitation</i>	•	•	•	•	•	•
<i>Areas of comprehensive rehabilitation</i>	• (1)	•	•	•	• (2)	• (2)
<i>Urban renewal areas</i>					• (3)	• (4)
<i>Management</i>	•	•	•	•	•	•

*Notes: (1) Own programme established by the Royal Decree 726/1993; (2) Additional financial aid to historic city centre; (3) Established by the Royal Decree 4/2008; (4) It includes programmes of eradication of shanty towns; (5) Only financial aid from commitments in previous plans; (6) Promotion of urban regeneration and urban renewal, Promotion of sustainable and efficient cities.*

*Table 2. Protectable action programmes. Housing plans 1992-2012. Source: Author*

ARI are defined as urban fabrics, specific areas of these, or districts, in the process of physical, social or environmental deterioration, that are located in historic centres, as well as in suburbs or rural areas. In order to get the financial aid offered by the plan, an area has to receive the ARI classification by the autonomous community (names can vary depending on the autonomous community) and this and the Ministry have to reach a financing agreement. Both parts sign a specific agreement for the area, in the case of the first two plans, or a bilateral commission, that was created after the sign of the cooperation agreement, where both parts are committed to obey the rules of the plan, in the case of the following plans. In all cases, the agreement requires the autonomous community to present a document called

programme report, which includes the assessment of the situation of the damaged area and the proposals to solve it. The council is the responsible for the writing of the report drafting but, in some cases, the autonomous community or different neighbourhood associations of the area could do this work. Housing plans do not include specific financial aid to write this document that contains increasingly long and complex contents as the plans evolve, although some autonomous communities have included this kind of aid in the field of financial aid for the rehabilitation of their corresponding territories.

The protectable actions in ARI programmes are the next: rehabilitation of dwellings, rehabilitation of buildings, urbanisation or urban renewal, including demolition if it is necessary, and management costs –rehabilitation offices-.

In the case of Urban Rehabilitation Areas (ARU by its initials in Spanish) protected actions are, apart from the same ones as for ARI, total or partial demolition of the existing buildings, the construction of buildings destined to state-subsidised housing and rehousing programmes. In spite of the fact that the programme report, which is required to accede to the financial aid, has to include proposals in the social, economic, construction and environmental fields, programmes of rehabilitation of areas do not provide financial aid for these purposes or for already built non-housing uses constructions.

## **2. Agreed goals for the development of housing plans**

The investments intended by the plan each year and in each autonomous community are determined in each of the bilateral agreements signed with the State. The agreements include the goals as the number of intended housing for each of the programmes of the plan. In these, it is possible to distinguish the reach aspired by the government for each plan through the analysis of the intended goals in each programme in relation to the previous programmes.

In this way, and in spite of the fact that the regulation of aid was quite constant during these twenty years, it is possible to distinguish three differentiated stages, each one with two plans, in relation to the total goals intended by the plans. During the first one (92-95) and in the last one (05-12) the intended total goals increased. In the central stage (98-04), the goals decreased. The agreed goals regarding rehabilitation increased during the whole period and the ones included in the ARI programme increased in all the plans except in the last one. The rehabilitation of areas goals suppose less than 6 per cent of the total intended goals, while the total goals of rehabilitation do not reach 50 per cent in any of the plans (Table 3).

<i>[thousands of housing / year]</i>	1992-1995	1996-1999	1998-2001	2002-2005	2005-2008	2009-2012	<i>Total 1992-2012</i>
<i>Totals</i>	123.49	139.79	126.28	89.97	136.05	194.19	<b>136.64</b>
<i>Rehabilitation</i>	13.61	14.98	19.51	30.19	33.43	88.62	<b>35.29</b>
<i>ARI</i>		3.42	3.70	7.08	15.94	13.47	<b>7.64</b>
<i>% Rehabilitation</i>	11.02	10.72	15.45	33.56	24.57	45.64	<b>25.83</b>
<i>% ARI</i>		2.45	2.93	7.87	11.71	6.94	<b>5.59</b>

*Notes: The 1998 and 1999 programmes of the 96-99 Housing Plan were not implemented, nor the 2005 programme of the 02-05 plan. To analyse these two plans, only the implemented intended programmes goals were taken into account.*

*Table 3. Annual agreed goals for the development of the Housing Plans 1992-2012. Sources: personal compilation from the goals included in the signed agreements with the autonomous communities.*

### 3. Discussion: real estate production and sectoral housing planning

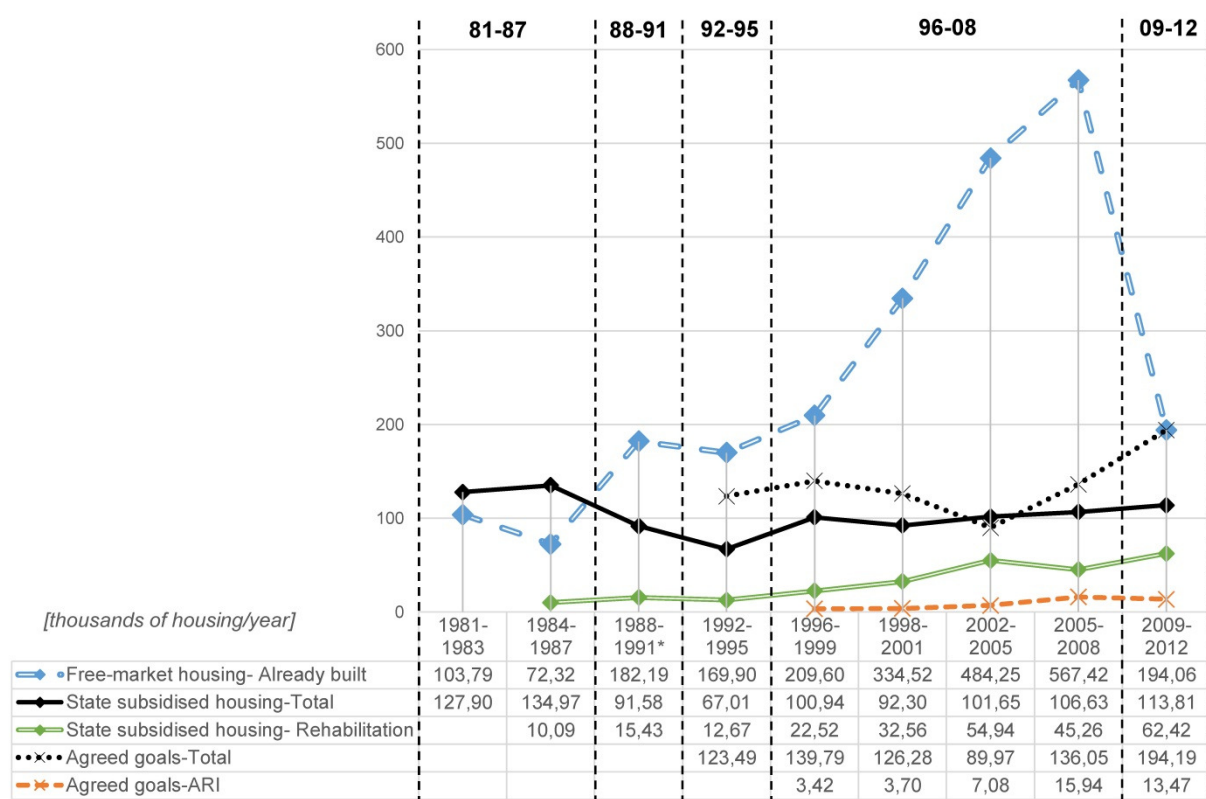
The comparison between the intended goals in the housing programmes and the real estate production, both free-market or state-subsidised housing, allows to estimate their level of implementation and the type of policy that these supposed with respect to the moments of the real estate cycles in which they were approved. If we pay attention to real estate production when each plan is approved, it is possible to understand these as pro- or counter-cyclical investment instruments, depending on the contribution or opposition to the general dynamics of free market. There are three stages in the real estate production of free-market housing. The period starts with a real estate crisis (1992-1995) and finishes with another one (2009-2012). Between 1996 and 2008, the biggest real estate bubble in the history of Spain took place. The production of free-market housing, the intended goals in plans and the production of state-subsidised housing that were originated from these are here analysed in the study of the three stages of the housing market.

In chart 1, figures of annual housing production are reflected. Besides, figures belonging to the 1980s are also included in order to show the differences in these twenty years and the previous real estate dynamics. Numbers that are related to housing production come from the Ministry of Public Works and Transport's statistics of free-market and state-subsidised housing. The mentioned statistic numbers are not disaggregated by housing plan, so it is not possible to know how many real state-subsidized housing and rehabilitation were charged to each plan since these could be have been built once the following plan had been approved. Neither state-subsidised rehabilitation actions in ARI are distinguished. Therefore, the chart shows the volume of state-subsidised housing and rehabilitation during the applicability of each plan, independently of whether these are part of this one or from the previous one, in relation to already built free-market housing and the intended goals. In any case, and in spite of this lack of correspondence between figures and housing plans, the chart shows an approximation to the level of implementation of housing plans during 1992-2012.

During the 1980s, free-market housing and state-subsidised housing were closely related. If free-market housing production was reduced, state-subsidised housing was increased, and



vice-versa. The crisis in the early 1980s was accompanied by a rising investment in state-subsidised housing by means of two housing plans (81-83 and 84-87). The subsidised real estate production in 1984-1987 Housing Plan (almost 135 annual housing) was not reached by any of the following plans. In 1988 the recovering of free-market housing started and the State decided to leave the long-term planning (3). Then, state-subsidised housing production was constantly reduced until 1992. During this decade, regulations of ARI (the first regulations were established by the Royal Decree 2554/1982), as well as the multilevel cooperation (State, autonomous communities and councils) framework were established so as to develop the plans that would be implemented during the following twenty years.



Notes: \* Between 1988 and 1991 there was no housing plan but annual financial aid programmes. 1998 and 1999 programmes of 96-99 plan and 2005 programme of 02-05 housing plan were not implemented. To analyse these two plans, only implemented programmes goals were taken into account. Figures of final state-subsidised actions.

Chart 1. Real estate production and sectoral housing planning 1981-2012. Sources: Personal compilation from free-market and state-subsidised housing statistics of the Ministry of public works and transport and from the goals included in the signed agreements with the autonomous communities.

From 1992, free-market housing production was reduced after the bursting of the real estate bubble in the last 1980s (4). The State recovered long-term planning. Agreements with all the autonomous communities were signed and, for the first time, the intended goals for all of them were established. However, ARI programme goals were not distinguished since this was added to the plan in 1993. State-subsidised housing production was progressively recovered during the applicability of 1992-1995 housing plan, in spite of the drop in total figures in

relation to the previous four years. This housing plan, apart from being the base of all the following plans that would come next, can be considered as a counter-cyclical policy instrument, since it tries to recover a sector suffering from a serious crisis, by means of public investment. The number of subsidised rehabilitation actions during this period was only 12 thousand annual housing, in comparison to the total 67 thousand actions.

Since 1996, free-market housing production continuously and exponentially grew until 2008, with rises of 100 thousand free-market housings more a year, each four years, and the figures grew from 209 thousand housings a year during the 1996-1999 housing plan to 567 thousand housing a year during 2005-2008 plan. The four housing plans within this period faced reality in two different ways: the intended goals in the first one (96-99) and the last one (05-08) were increased and it can be considered that these triggered the development of the real estate cycle. The two central housing plans of the period (98-01 and 02-05) reduced the intended goals in contrast to the general real estate cycle. However, state subsidised housing production stopped following the intended goals during one of the plans that tried to reduce production. The force of the real estate bubble was so strong in the first decade of the twentieth century that during the 02-05 Housing Plan, which supposed a sharp fall of goals, state subsidised housing production went with the flow given by general dynamics of the real estate market, exceeded foresights and grew in relation to the previous period. Dealing with state-subsidised rehabilitation, actions were continuously increased from 22 thousand housing a year to 55 thousand, during the three first plans. During the last plan in this period (05-08), despite the increase of the intended rehabilitation goals, actions were reduced to 45 thousand housing a year. The goals in ARI grew during the whole period.

From 2009, the state free-market housing production dramatically decreased and the figures went down from around 567 thousand free-market housing a year during the 2005-2008 Housing Plan to 194 thousand during 2009-2012 Housing Plan. This last plan can also be considered as a typically counter –cyclical instrument that tries to recover the sector increasing the intended goals in a really significant way. However, the force of the crisis and the budgetary cuts supposed the omission of some of the programmes of the plan, so state-subsidised housing production was under the intended goals for the period. In any case, this supposed an increase in relation to the previous period with a result of 113 thousand housing a year, a figure that does not reach the state-subsidised housing production of the early 1980s. In this last plan, and in spite of the fact that it is not really significant, the intended goals for ARI were reduced.

In this way, even though programmes of comprehensive rehabilitation of areas were increasingly more relevant during the implementation of the plans, these have played a subsidiary role in the promotion of programmes of newly-constructed housing and these have been insignificant in relation to the housing production of the period. In 2013, a new stage in this process started with the approval of the State Plan for promotion of rented housing, building rehabilitation and urban renewal and regeneration (Plan Estatal de fomento del alquiler de viviendas, la rehabilitación edificatoria, y la regeneración y renovación urbanas in



Spanish), 2013-2016 (Royal Decree 233/2013). In this plan, the existing programmes are left behind and now the focus is on renting and rehabilitation. However, the poor investment from Administration and the previously assumed commitments are slowing the development of this plan. At the present moment, May 2014, the agreements concerning the development of this plan have not already been signed with the autonomous communities.

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